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# **1963 Fourth Pacific Coast Member Relations Conference**

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GOVERNMENT SERIAL RECORDS

## **Pacific Coast Region**

Edited by  
Irwin W. Rust

**Boise, Idaho  
March 6, 7, 8**

Sponsored by  
Farmer Cooperative Service  
U. S. Department of Agriculture  
and  
American Institute of Cooperation  
Washington, D. C.

FARMER COOPERATIVE SERVICE  
U. S. DEPARTMENT OF AGRICULTURE  
WASHINGTON, D. C. 20025

JOSEPH G. KNAPP, *Administrator*

The Farmer Cooperative Service conducts research studies and service activities of assistance to farmers in connection with cooperatives engaged in marketing farm products, purchasing farm supplies, and supplying business services. The work of the Service relates to problems of management, organization, policies, financing, merchandising, product quality, costs, efficiency, and membership.

The Service publishes the results of such studies; confers and advises with officials of farmer cooperatives; and works with educational agencies, cooperatives, and others in the dissemination of information relating to cooperative principles and practices.

## FOREWORD

This Conference is the fourth in the Pacific Coast area of a series being conducted on a regional basis throughout the United States. Sponsored jointly by Farmer Cooperative Service and the American Institute of Cooperation, the purpose of these conferences is to bring together for an exchange of ideas and techniques men and women who are professionally engaged in the general field of cooperative member relations.

In some cases these participants are employed full-time in cooperative member relations activities. In other cases they are men and women who, while employed in some other capacity, have developed an effective member relations program as a part of their over-all work assignment.

One of the most important features of these conferences is the give-and-take ideas during the discussion periods. Unfortunately, it is not possible to include these discussions in this report. However, the following speeches will serve to give readers an idea of the type of material covered at this conference and at others in the series.



## PARTICIPANTS IN THE CONFERENCE PROGRAM

R. D. Barker	- Treasurer, Apple Growers Association, Hood River, Oregon
Rex Blodgett	- Assistant Manager, Idaho Potato Growers, Inc., Idaho Falls, Idaho
M. J. Carter	- President, Spokane Bank for Cooperatives, Spokane, Washington
Riley Wm. Childers	- Chairman, Montana Council of Cooperatives, Great Falls, Montana
Robert England	- District Manager, Western Farmers Asso- ciation, Yakima, Washington
Jay H. Felt	- Manager, Federal Land Bank Association, Twin Falls, Idaho
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James Hill, Jr.	- General Manager, Pendleton Grain Growers, Pendleton, Oregon
Robert F. Holt	- Secretary-Manager, California Tomato Growers Association, Stockton 2, California
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Russell Rathbone	- Assistant General Manager, Western Farmers Association, Seattle, Washington
Fred Roberts	- Manager, Oregon Breeders Association Corvallis, Oregon
Lyons Smith	- Manager, Ida Gem Dairymen, Inc., Jerome, Idaho
J. K. Stern	- President, American Institute of Coopera- tion, Washington, D.C.
D. R. Theophilus	- President, University of Idaho, Moscow, Idaho





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## SESSION I

Thursday morning, March 7, 1963  
Chairman: Lewis I. Phillips

### TURNING A MEMBER RELATIONS PROBLEM INTO AN OPPORTUNITY

#### Membership Relations Implications of the New Tax Law

Lyons Smith

The opportunity presented by the new tax law to reacquaint our old members and reveal to the younger ones the fundamental purposes and advantages of their cooperative is very valuable. In viewing our own association, it has been increasingly apparent the last few years that our educational program would have to be stepped up. In checking with other cooperatives, we received mixed reactions as to the effect the new law would have on the producer members when they receive the 20 percent cash refund with their notice of retains, and realize that this retain will have to be included in their income tax return.

The information from our own producers indicates some confusion on the subject. During a district meeting in 1962, when we were explaining the new law, prior to a special membership meeting to change our bylaws, some producers insisted that they would include their retains in their tax returns when they received the cash. If the Internal Revenue Service should ever advise them that they are delinquent, the resulting displeasure could be directed toward the association with adverse results.

#### Members Lacked Understanding of Basic Co-op Functions

While the new tax law focused attention on our patron relations, another situation arose which revealed a lack of understanding of the basic functions of cooperatives. We were approached by an organization, set up as a bargaining cooperative, to sign a contract in which they would act as the milk procurement agent for us and we would pay them a stipulated amount for the milk and their services, irrespective of what we were able to pay the remainder of our producer-members.

That some of their committee should present such a contract was understandable, since they had never participated in our organization and didn't know much about cooperatives. However, some of our own members were involved who should have known all about our organization. This fact indicated the failure of the association to keep its members fully informed.

The implications were obvious. A new and comprehensive patron relations program would have to be instituted. The new tax law created an interest in the subject and opened the door for a discussion with both active and potential members.

Through our field service and our membership publication, an intensive educational program will be waged. The program at the district meetings will be devoted chiefly to this subject. One approach will be the direct financial benefit derived from cooperation. To illustrate - the dairy farmers in an exporting area such as ours suffered quite a reduction in income when the support prices dropped in April, 1962. Our accounting department figured that if we were to increase our production by 50 percent we could pay another 12 cents a hundredweight.

The milk is available and this increase could be made without raising the price to the consumer, without writing to Washington, or trying to prevail on the authorities in the State House for relief. It would merely be accomplished by reducing the unit cost of processing and by putting that much more money in the hands of the producer. All a farmer would have to do is to pick up his phone and call the cooperative plant. It is as simple as that. But it is not that simple to sell.

We feel that the 1962 cooperative tax law will be the instrument that prompts the interested producer to support his organization, and the lukewarm to fall by the wayside.

#### Refunding 100 Percent of Patronage Dividends in Cash

R. G. Lytle

It might be useful to think for a minute about when the last major change was made by law or by the Internal Revenue Service in the way co-ops must handle their capital. In 1951, an attempt was made to provide for income tax to be paid on each year's revolving funds, either by the co-op or by the farmer. In 1962, something more was added--the 20 percent payout in cash.

I feel I am safe in predicting that any change made in the future in tax laws will be less favorable to cooperatives--not more so.

The new tax law makes it necessary for many cooperatives to change their by-laws to some degree if they are to continue to issue revolving fund certificates. This should be the time to stop to consider how we can prepare ourselves for the future.

Most cooperatives are following the same pattern of corporate setup that they have been using for many years. Let's see what advantages we have had so far.

1. We do not pay a Franchise Tax.
2. The dividends paid on stock are allowed as an expense.
3. Under certain conditions, we can issue revolving fund certificates without the co-op paying tax on this money.

Let's list the types of paper that are being used by cooperatives:

1. Certificates on money earned or raised from members. These are called by many names. They usually have no fixed term and no interest.
2. Debentures or notes. These have a fixed term and a fixed interest rate. Both members and non-members may own them.
3. Preferred stock. This usually has no fixed term but does have a fixed interest rate. Anyone may own this paper.
4. Common stock. This usually has no fixed term nor interest rate. Shares are issued in proportion to volume of business with the co-op. Only active members may own this. Interest, if any, paid on this stock is limited by law.
5. Borrowed capital. This has a definite fixed term and interest rate.

One of the solutions to the cooperative income tax problem is the "13th" check, or full payout of net savings each year. If cooperatives were to do this, however, where would capital come from? Perhaps common and preferred stock, or debentures.

It may be time for cooperatives to plan to tap public money sources. Perhaps a group of cooperatives could form an investment company, market the paper of member co-ops, and provide a market exchange for both buyer and seller. Many proprietary American businesses today have done this. It might be to our advantage in the sale of our products, to have owners of our stock among the general public. This system might open the way to provide the tremendous amounts of capital our cooperatives need.



## Would a Capital Retain Plan Strengthen Cooperative Member Relations?

R. D. Barker

The topic and choice of speaker indicate a rather biased answer in the affirmative, and rest assured that such is the case. An unqualified "No" would be akin to publicly favoring sin, but there may well be room for honest differences of opinion as to what constitutes sin, and whether our particular brand is really objectionable. Perhaps the opinions expressed here will lead to discussions that will assist us in working out the right capital mixture for our particular cooperative situation.

In order to bring the discussion to the point where such differences of opinion occur, we can assume that cooperatives perform a needed service, have reasonably good management, and have been established long enough to have members and patrons who are familiar with their services and method of operation. Since most cooperatives in the Western States have used a capital retain program to some extent, we can assume, also, that the plan is generally recognized as being valuable to some degree.

### Capital Retain Plan Creates Pride of Ownership

The sense of ownership created by a capital retain program is the most all-inclusive reason for its existence. It tends to put the "we" or "my" into the way patrons speak of their cooperative. When they speak of their cooperative as "they", the cooperative is in real trouble. Pride of ownership and self-interest in encouraging others to patronize the cooperative usually follow substantial patron investment.

It is a well-established principle of the business world that those who provide the bulk of the risk capital will also control the conduct of the business. This may be done by voting in relation to investment, by veto power over certain types of investments, liquidation of facilities, or expansion of services. They may also be able to limit borrowing from other sources. If active patrons have enough of the cooperative's capital from proportionate retains to keep control, they can adjust its management policies to their best interests as patrons, since this is their objective in patronizing it--not return on their investment.

When only a few have control, and especially if the few are not actually patrons, policies must be adjusted to what investors consider to be their best interests and the interests of other potential investors. A number of case histories in the Northwest prove this point.

An electric cooperative wished to borrow to extend its lines to potentially profitable areas that included the farms of a number of its security holders, but a very small number of investors who held large blocks of securities refused to give their consent. The cooperative has been unable to keep faith

with its owners in these areas, and its operations are not as efficient and profitable as they should be, but the security holders are safe!

Several cooperatives have either gone out of business or are in serious trouble because large investors refused to permit modernization of facilities to maintain a competitive position and influenced other decisions that destroyed or undermined patron loyalty.

These may be extreme cases, since a reasonable amount of patron satisfaction is necessary if a cooperative is to maintain its volume in the face of competition, but there is a decided tendency toward conservatism and lack of progress when strictly investment thinking dominates policy.

Acquisition of retain capital is not greatly affected by the money market, fluctuations in interest rates, and minor economic recessions, whereas these factors play a very important part in the availability of investment capital. Long-term financial planning is more dependable as to cost and availability of money with retain capital. During the 1930's, retain capital and Farm Credit loans were the only major sources of capital that did not dry up when things got really desperate.

Retain capital is usually in proportion to patronage or benefits received, which creates a sense of equality and fair treatment as between members. It also removes any feeling of rich people and poor relations, since everyone pays his way. The member relations value of this attitude should be readily apparent.

#### Large Investments by a Few Persons May Be Hazardous

A psychological and financial hazard is inherent in ownership of large amounts of investment capital by a few active cooperative patrons. That fact is apparent to those of us who were involved in cooperative financing in the nightmare of the 1930's. It seems to be ignored or minimized by the present generation of patrons who did not have that experience, and who believe that we have finally mastered the economic cycles and human frailties that have existed during the entire recorded history of the human race.

When farmers are desperate for operating capital during depressions, they demand redemption or sale of their cooperative investment capital or loans against it, which have the same effect. It does no good to say that these farmers knew the terms of their bargain when they entered into it and that they should live with it. If the cooperative does not or cannot make this money available, it causes serious morale problems and tends to create a suspicion that its financial structure is shaky, at a time when it is fighting for survival.

Holders of retain certificates are by no means easy to deal with in depressions, but at least there is equality of investment and sacrifice as between them. This removes what appears to be valid grounds for criticism in the case of holders of investment securities when there is no local market of any kind for their investments.

Even the most ardent supporter of a capital-retain program should recognize the value of investment capital in certain situations. How else can large amounts of capital that are needed in a short period of time be acquired?

With automation, technological improvements, and increases in volume of business for competitive reasons, many cooperatives and their patrons find that capital cannot be added rapidly enough solely from profits after taxes. Some form of investment capital, including long-term loans from banks, insurance companies, and investment trusts is the only way to do the job.

The capital squeeze on farmers and their cooperatives is too well known by this group to need any elaboration. Investment capital definitely has a prominent part to play, but only as a supplement to farmer ownership capital. There is a very human tendency to try to increase cooperative volume by higher credit for longer periods of time, and for capital-poor or ruthless patrons to demand this as the price of their patronage. This tendency is especially hard to resist when volume is not adequate to easily amortize the cost of facilities, or maintain existing staff and other business commitments.

Unfortunately, there is no uniformly satisfactory answer in the back of the book. A judicious mixture of retain and investment capital, creation of retain certificates with loan collateral value to assist patrons in financing their operations, and a good member relations program to sell the value of the program to members, seems to be the best approach.

Catering to undercapitalized or chiseling patrons at the expense of the more desirable ones comes in the category of the tail wagging the dog. Too thin a margin of capital will set the stage for disaster with the first economic setback of any consequence. There is no better way to undermine member loyalty than to foster a something-for-nothing attitude among patrons.

#### Greatest Fault is to Assume Loyalty of all Members

Alert and progressive management backed by enough retain capital to support an adequate fiscal program should enable a cooperative to meet competition without resorting to hazardous gimmicks. Perhaps our greatest fault to date is to assume that patrons realize the value of their cooperative to them, and that they make fair comparisons with results achieved by competitors. Unfortunately, such is frequently not the case. Allow me to illustrate.



The "interest-free money" advanced to some farmers by competitors of cooperatives has misled many normally intelligent young farmers into believing that they were getting a better "deal" than the co-op offered. No capital retains on which they have to pay taxes is a choice argument of anti-cooperative interests.

Our analysis showed that supplies "advanced" by competitors were invoiced by them at prices at least as high as ours, and there was no patronage refund. Our patronage refund is the equivalent of from 15 to 20 percent interest on cost of supplies "advanced" by competitors, "interest free."

Over a period of years, our capital retain can be added to our net cost for packing, storing and selling fruit, and the total will be almost identical to competitors' charges for the same services without a capital retain. In effect, our members get their capital retains from our savings on services rendered for handling their fruit.

Loyal patrons want to believe in their cooperative and its value to them. Let's give them the information ammunition they need to justify our good service and low costs while maintaining a capital structure that will see us through the present generation's depression when it comes.

## SESSION II

Thursday afternoon, March 7, 1963

Chairman: James Hill, Jr.

### LOOKING AHEAD

#### The Shape of Things to Come in Agriculture

M. J. Carter

I am pleased to take part in this membership relations conference--particularly pleased because the theme of your meeting is "New Developments of Affecting Member Relations Programs." You are devoting your time to the discussion of practical problems now facing the farmer cooperative business and proposing innovations adaptable to today's use in building stronger organizations. Member relations will be the cornerstone of the future of cooperatives.

I have been assigned a broad topic, "The Shape of Things to Come in Agriculture." It is necessary for me to limit my discussion at least to the farmer cooperative and the farm finance fields.

When trying to determine this shape--to bring into clear focus the outline, we are convinced it is not fixed. It continues to change. Like the amoeba under the microscope, it bulges and recedes. It gropes out, always changing in form and direction to adapt to the particular circumstances to which it is exposed. The future of agriculture is not fixed. It will be one of adaptation, of innovation, and of change. The industry will continue to be one of technological accomplishments and innovations of a faster tempo and of greater scope than we now know. This seems to be clear in the outline when attempting to view the shape of things to come.

Change is not new. True, there is an increase in tempo at times, but continued success has always required continued adaptation to changing conditions and challenging times. In our efforts to grope for the future it appears that at times we do not appreciate that this is a continuing process and we are not aware of the present rate of change and its impact.

We appear at times to be reluctant to make decisions immediately required, to take a direction, and we justify this unwillingness to act on the basis that we cannot identify the precise direction the always indefinite future may take.

## Co-Ops Have Two Guideposts to Stabilize

We grope for a starting point, a guidepost, some fixed position from which we may make observations and continue in what we hope is the proper direction. We working in cooperatives have at least two such guideposts. We have a point of departure when we restate our purpose and our objective. These have not changed.

Farmer cooperatives are organized to provide group action to accomplish economic ends beyond the capabilities of the individual. Our only purpose is to serve the farmer and agriculture.

If we accept the evidence of the direction agriculture is taking and will take, do you visualize any less need for cooperatives in the future? It would appear that expensive technological innovations will require more group action instead of less for the purchasing, marketing, and service functions.

The second guidepost that we have is the successful cooperative which has adapted to the changes of the last two decades. If we accept that the future will require adaptation and adjustment, is it not proper to make some observations on the cooperatives that have adapted to the changes in the past in predicting successes of the future? How have they succeeded in moving from the past into the present? How have their concepts changed?

In the past, many cooperatives have prospered and grown; others have failed. There are still a greater number that have survived but now face the future with apprehension because of limited success. This group particularly can develop a sense of urgency when attempting to determine where they will fit into the shape of things to come.

There appears to be little likelihood that the tempo of change will lessen or that competition will be less intense in the future than it is today. If the success of the cooperative is now limited by controlling factors in its environment, the cooperative will probably have to change rather than depending upon its environment to do so.

There are, I am sure, many factors that have contributed to the success of cooperative businesses. Our observations indicate that at least three of these are always present with the most successful ones.

These factors are: (1) Aggressive and capable management, (2) an informed membership, and (3) sound and adequate fiscal policies.

We, in our business, have a keen interest in cooperative management, realizing that a most-important ingredient in cooperative success is capable and aggressive management. We are interested in how cooperatives meet their management needs of today and how they are preparing to meet them for the future.

## Negative Attitudes Found Toward Co-Op Employment

To further this interest, the Spokane Bank for Cooperatives sponsored a meeting about a month ago with several interested parties to determine attitudes regarding cooperative employment. Present at this meeting were representatives from state universities, councils of farmer cooperatives, Extension marketing divisions, and some cooperative businesses in the four Northwest States.

In discussions of the attitudes of university students toward cooperative employment and personnel programs, the following observations were made:

1. Opportunities in cooperatives are neither plentiful nor promising.
2. Size of the salary depends upon the size of the cooperative.
3. Cooperatives do not have training programs.
4. Students feel that they have to take the oath of poverty to accept cooperative employment.

University representatives also made the following observations:

1. There is a reduced interest on the part of students to work for cooperatives.
2. There is a lack of knowledge on the part of students of the potential in cooperative employment.
3. Students tend to seek employment in large businesses and stay away from isolation in business and in small communities.
4. Cooperatives have not kept up with the development of public relations.
5. Interest in cooperative courses is waning. In one university, enrollment in these courses is the lowest it has ever been.

Managers of the cooperatives present also had the following observations on these topics:

1. The budgets of smaller cooperatives cannot support training programs.
2. Some find it most practical to go pirating for help. When using this approach they can get demonstrated ability.
3. Prospective student employees are too concerned with fringe benefits, retirement plans, vacations, and so on.

If the future requires the best management, properly trained and properly oriented, your judgment would be better than mine in determining which of the statements given indicate the attitude desirable to build management in quality and in depth and to be included in the shape of things to come.

These observations were not the unanimous opinion of all present, but they were quite representative of the majority. One larger cooperative represented did have a well-established personnel training program, with advanced courses for developing prospective managers. There appeared to be agreement by the representatives on at least one point--that small cooperatives would have difficulty in meeting their management needs in the future.



We mentioned that a second important consideration evident in the successful cooperative is an informed membership. How well do members know their cooperative? What is their attitude toward the functions it performs?

#### Member Attitude Toward Marketing

We do not have time to discuss all of the basic cooperative functions, but it would be well to discuss the members' attitude toward at least one. Let us select marketing. What is the members' attitude toward the marketing function? Are they convinced that this is not a cost-added activity which, if eliminated or avoided, would raise the price of their raw product to a higher level? Are they convinced that this is an essential function necessary in this complex economy to bring them the very highest price possible for their product?

Schermerhorn and Korzan, in a recent study at Oregon State University, found there was not one successful entry into the fruit and vegetable canning business in Oregon in the 13 years - 1949-61. Of seven attempts, all failed--six went out of business and the seventh converted to freezing. In addition to the 6 firms that began operations after 1949 and went out of business, 13 already in operation in 1949 also went out of business. The major factors contributing to the failure of these 19 firms in order of importance were:

1. Difficulty in obtaining and maintaining a place in the market for their products.
2. Increasing complexity of technology.
3. Increasing capital requirements.
4. Lack of continuous and sufficient supply of raw product for efficient operation.

If our premise is true that adaptation and innovation are yardsticks to present cooperative success and the best evidence of ability to survive in the future, then the Oregon State study would indicate that greater membership attention is necessary and justified in the cooperative functions of marketing. In this same connection, the Oregon study also points up that the second most important cause of failure is lack of ability to adapt to technological change.

#### Cooperatives "Going to Need More Capital"

The third reason brought out in the study is increasing capital requirements. You will recall that one of the factors we have mentioned as contributing to the success of cooperatives which have adapted to change in the past is sound and adequate fiscal policies. It might be well at this time to discuss the members' attitude toward the capital requirements of a cooperative and the part they should play in the accumulation of this capital.

Glenn E. Heitz, Deputy Governor of the Farm Credit Administration and Director of Cooperative Bank Service, in a recent address stated:

"There is no need to shrink from making a prediction regarding future financing of cooperatives. It can be summed up in a few words - they're going to need more capital - this will be the rule for all agriculture, including farmers and their co-operatives."

Mr. Heitz continues by saying:

"It is all a part of the frantic whirl of agricultural revolution, which touches all of us in agriculture. We are convinced already that the revolution has a fantastic appetite for capital, which must be satisfied if farmers and their co-operatives are to keep pace. Because of this a premium will be placed on wise financial management, involving not only the securing of more capital, but more efficient use of what capital is available."

Findings of the Oregon State study, observations of the college and cooperative people at our bank-sponsored meeting, and the statement of Mr. Heitz all seem to substantiate our belief that cooperative success in the shape of things to come will demand aggressive and capable management, an informed membership, and sound and adequate fiscal policies.

#### The Importance of Bringing Bylaws and Records Up-to-Date--From a Legal Point-of-View

Orval Hansen

The topic assigned to me should be viewed in the light of the purpose for which cooperatives have been organized. A cooperative is many things. Primarily, however, it is an economic tool organized to help its members earn more money.

Today's cooperative must operate in a complex and highly competitive business economy. Its basic objective is different from that of other business corporations, however. It is not in business to make a profit for itself or to earn dividends for its stockholders. It is in business to help earn greater profits for its members as producers.

A cooperative is also a legal entity. It is a creature of the law, both state and federal. A cooperative could not legally exist without the amendments to

the Sherman Act which were effected by the Clayton Act and the Capper-Volstead Act. Cooperatives achieved legal status under the Idaho law when the Idaho Legislature enacted the Cooperative Marketing Act in 1921. Other states have adopted similar legislation providing statutory authority for the organization of farmer cooperatives.

Even after many years, the legal basis for cooperatives is still subject to attack. In both their internal and external relationships, cooperatives are affected by the law at every turn. The law has been slow to recognize and to make adjustment for the economic facts of life of the cooperative method of doing business.

Cooperatives must operate within this legal framework, if they are to survive and grow and accomplish the purpose for which they have been organized. They must be ready to adapt quickly to changes in the law as well as changes in the economic environment. Cooperatives must do more than just meet competition. They must be able to provide their members with a service that is better than that provided by their competition.

#### Defects in Legal Structure Causes of Co-Op Failure

The cooperative method of doing business as we know it today is little more than a century old. During this time, many cooperatives have prospered and grown while others have disappeared from the scene. Studies of the reasons for the failure of cooperatives have revealed that defects in the legal organization and inadequate accounting or auditing are among the significant causes for failure.

Many cooperatives have been wrecked because of legal difficulties that could and should have been foreseen and avoided. Improper articles of incorporation, bylaws, or contracts have caused the dissipation of assets and division and dissension among the members. All too often, the result has also been bad publicity for the cooperative affected as well as for the cooperative principle.

With intelligent planning and effective management, these pitfalls can be avoided. All of the legal relationships of the cooperative should be subject to continuing study so that necessary changes can be made to respond to changes in the laws and regulations or economic trends affecting their operations.

The articles of incorporation should be reviewed from time-to-time to determine whether the capital structure or other provisions establishing the basic organization of the cooperative are adequate to meet the present needs.

The bylaws should also be reviewed continually so that changes can be made promptly to keep them up-to-date. These changes may reflect actual changes



in the operation and organization of the cooperative such as changes in the number of members of the board of directors, the number of operating units, or in the method of doing business.

It may be necessary to amend the bylaws, also, in order that the cooperative may take full advantage of its legal rights or to make certain that its operations are in compliance with the law. Such changes in the law can either come from court decisions or from statutory enactments.

A recent example of a statutory change that makes it necessary and desirable for many cooperatives to amend their bylaws is the group of recent amendments to the Internal Revenue Code relating to the tax treatment of cooperatives and their patrons. If a cooperative fails to amend its bylaws in a certain manner, it may mean that it will have to obtain the consent of its patrons, which is required by the law, by a more cumbersome and less satisfactory method, or else lose its right to deduct certain patronage allocations from income for tax purposes.

The many and varied contractual arrangements of the cooperative should also be subject to continuing review. These include marketing agreements with members; pool contracts; agreements with brokers, buyers, and distributors; and employment contracts.

Cooperatives must be concerned with many areas of the law, which have a direct effect on their operations. Sound business practice requires that complete, accurate, and up-to-date records be maintained. From a legal point of view, good record keeping is essential to enable the cooperative to comply with the many laws and regulations affecting its business. Also, in the event a question is raised, these records may be required to demonstrate that the operations of the cooperative have been in compliance with applicable laws and regulations.

#### Constant Awareness of Legal Situation Necessary

To operate successfully, cooperatives must be aware of the possible application of many areas of the law. These laws are subject to continuing change--by statutory changes, by court decisions, and by implementing regulations.

The trend toward merger of cooperatives makes it important that care be taken to avoid violation of the antitrust laws. Contrary to a popular impression, cooperatives are not immune from prosecution under the Sherman Act.

Agreements between the cooperative and brokers, distributors, and other buyers should be examined to make certain that there is no violation of the Robinson-Patman Act or other laws and regulations relating to the pricing of commodities or the furnishing of services in a manner that may be discriminatory.



Perhaps there is no area of the law of more direct concern to cooperatives than the tax laws. Cooperatives must be constantly alert to changes in the law and regulations which affect their tax status as well as the tax status of their patrons.

A great many cooperatives are engaged in marketing food products. The growing use of insecticides, pesticides, and other chemicals in agricultural production are making it increasingly difficult to operate within the limitations established under the Pure Food and Drug laws. Failure to comply with these laws can result in severe economic loss to a cooperative.

Many cooperatives deal in commodities that are subject to marketing agreements and order under both state and federal law. It is essential, therefore, that operations be adapted to meet any changes that may be required under these laws.

#### Co-Ops Also Have Responsibility to Aid in Law-Making

Under our system of representative government, cooperatives also have a responsibility to participate in the law-making process. As we have noted, the law has been slow to recognize the economic basis for the cooperative method of doing business. It is important, therefore, that cooperatives take an active part in the legislative process by furnishing accurate information to members of Congress and to state legislators so that our laws do not discriminate against cooperatives but give recognition to them and to the important part they play in our agricultural economy.

We all have a great deal at stake in the success of our cooperatives. The cooperative is essentially an economic tool designed to earn greater profits for its members as producers. In a larger sense, however, it is an instrument of self-help in a dynamic agricultural economy. The cooperative method of doing business offers the one best hope for farmers to maintain control of their own industry, and to adapt it quickly and efficiently to the changing conditions in our national economy.

Cooperatives are also an important part of our American system of free enterprise. By promoting the growth of strong and efficient cooperatives, we are not only helping to build a prosperous agriculture; we are also helping to build a strong and free America.

## The Importance of Bringing Bylaws and Records Up-to-Date--From a Member Relations Point-of-View

Robert F. Holt

In our cooperative, which was organized as a bargaining association, we do not bargain in the strict sense of the meaning. We do feel, however, that we influence the price of the raw product by using such tools as we are discussing here to inform and educate our membership. The use of bylaws and official records is appropriate for our type of organization. Other cooperatives that merchandise or process their commodities may find different uses for these records. Consequently, I am speaking here of our own experience.

The term bylaws in the strict sense of the word means the agreement of the members. Oftentimes the membership agrees to disagree, at which point a change in the bylaws is necessary. In our particular organization, a majority of 51 percent of the membership must assent or agree to any change.

In the past two years, we have found it necessary to make several changes in our existing bylaws, changes that entailed a different designation of a director, his term of office, the reestablishment of a quorum, the designation of a director-at-large, and changes in geographical boundaries of growing districts. In our association--which has membership throughout the state, ranging approximately 600 miles in length, from Chico in the north of California, to Disneyland in the south--we find it expedient to establish smaller units or tomato-growing districts within the state.

In each of our bylaw changes, we have called district meetings to consider the proposed change. Voting is done by signature rather than by vocal assent. At the conclusion of these district meetings, we tabulate results from the 12 districts. If the affirmative vote exceeds 51 percent of the membership, our board of directors has a mandate to change the bylaws.

We find that this type of operation affords an interesting and well-attended meeting. It furthermore provides our field staff with the opportunity to generate member interest in such a dry topic as "Rules and Regulations."

### Directors' Seminar Proves Valuable

One of the most important activities of our board of directors is a two-day seminar we hold immediately after the first of the year. This seminar has worked wonders for our association. Each of our board members invites a leading grower from his area to this two-day meeting. Here we discuss items pertinent to our bylaws and develop a goal or plan of operation to guide the association in the year ahead.

For instance, this year our policy calls for action in the field of membership relations, governmental relations, public relations, processor relations, labor relations, cultural practices and research, and canner-grower contracts. This permits us to approach our membership and prospective members with a pre-determined course of action for the year. Members can be assured that management and staff, with the direction of the board, will pursue that line of action spelled out in the annual policy.

#### Board Resolutions Widely Disseminated

We also make good use of the minutes of our association in our member relations program. Each resolution when passed by the board is titled, numbered, and indexed. For example, our membership is extremely interested in the extension of Public Law 78 and the International Agreement between the United States and the Republic of Mexico. Our board has adopted a strong resolution concerning this extension and has instructed the secretary to communicate these desires to our Congressional delegation from California.

Oftentimes we adopt resolutions commending, or chastising government departments, or stating our official position on proposed legislation. This type of action is not only communicated to the membership; it becomes a part of the informational material carried by our field staff. Since each resolution is indexed and numbered, it can be readily referred to by our field staff when they are questioned by grower-members.

Our field force is equipped with copies of most of our official records, including bylaws, membership agreement, articles of incorporation, financial reports, budgets. Included, also, are a file of news bulletins and our monthly magazine. Our fieldmen have been schooled in the importance of thoroughly satisfying the members if they wish to check financial expenditures, peruse current budgets, or refresh their memories on the latest news involving labor, cost of production, inventories, movement of inventories, and so on.

#### A Formula for Survival

Russell Rathbone

In order that you have some knowledge of our association's background in the field of cooperative marketing and purchasing, I feel it in order to outline the nature of our functions over the past 46 years of cooperative service.



When originally organized in 1917, Western Farmers Association (WFA), Seattle, Washington, was to perform an egg marketing job. Soon thereafter poultry operations began to handle Leghorn broilers and fowl. Then members needed feed milling service, which was added to our operations.

As early as 1925 we, with four other West Coast cooperatives, began marketing eggs to East Coast markets under the organization name of Pacific Egg Producers. Our Lynden poultry cannery was then added, followed shortly by turkey marketing.

Just prior to World War II, seed marketing and purchasing, and farm supply divisions were established. In more recent years, the marketing of dry edible beans and grain storage and marketing were begun, rounding out our present group of operations.

Thus we have seven commodity marketing divisions, four purchasing divisions, and three service departments--research, accounting, and credit. These various service functions built into our association over the years have demonstrated that cooperatives can be extremely diversified and yet function in an orderly fashion in the interests of all our members and customers.

Let's examine the need for this "formula for survival." In a recent address, Earl L. Butz, Dean of Agriculture, Purdue University, made the following interesting statement:

"Many agricultural and political leaders are frightened by the far-reaching changes taking place in agricultural production and marketing. Change is the law of progress.

"Entirely too many people in this country think of agriculture as a declining industry. It is not surprising that this is true. In nearly any daily newspaper, you may read an account of someone bemoaning the decrease in number of farms and farmers. You get the impression that this is a recent development, when as a matter of fact it has been going on for decades and decades.

"Nothing is more erroneous than to think of agriculture as a declining industry. American agriculture is an expanding industry in every important respect except one--the number of people required to run our farms.

"Our agricultural plant uses each year more capital, more science and technology, more managerial capacity, more purchased production inputs, more specialized marketing facilities, and more research than ever before.

"The declining trend in farm population, although viewed with alarm by some, is itself a sign of a strong agriculture. This is the age of science and technology in American agriculture.

Brainpower has replaced horsepower (and human labor) as the essential ingredient on our farms. Total agricultural output has increased two-thirds in the last two decades, while farm workers have gone down some three million. This means that production per worker on our farms has doubled in the last 20 years. It can be matched by no other major sector of the American economy.

"Our leading farmers will produce to market specification. They will produce to a predetermined market with respect to quality, time of marketing, and type of product. No longer will they produce anything, then seek a market at whatever price it will bring."

Another statement dealing with the need for a formula for survival comes from D. W. Brooks, General Manager of the Cotton Producers Association, Atlanta, Ga., who said: "Cooperatives must not be afraid of change, but must be as modern as tomorrow, if they are to retain their place as pace-setters in skillful marketing of agricultural commodities." Mr. Brooks called upon cooperatives to expand their research activities as a means of keeping up with current developments and to add to their bargaining strength in the market place through expansion of facilities and services. Cooperative officials "must not be afraid of change," he said, adding: "Cooperatives should not be captive to arbitrary and uneconomic geographical or political boundaries."

Recently Ed Fallon, General Manager, Cooperative Grange League Federation-- better known as G.L.F.-- of Ithaca, N.Y., spent a few days with our WFA staff in Seattle. During our discussions, he briefly outlined to us the many projects they have on the drawing boards to expand their services in purchasing and marketing and streamline existing operations to better meet the trends of tomorrow.

#### Co-Ops Must Constantly Improve Present Services

Cooperatives can survive if they first recognize the basic need to constantly modify and improve their present services to both members and customers. Being human as we are, it is easy to accept the pattern of today with its security and apparent status quo and not want to delve into the untried with the hazards of tomorrow unless forced to do so. Usually when we are forced into making such moves, it is because we have fallen behind. Thus, our job is made more difficult to catch step with those ahead.

When we accept the fact that change is inevitable and that we must constantly be reevaluating our opportunities, we have made the single most important step toward successful survival. To my mind, the subsequent steps appear logical and much easier to follow.

The manager, with support from the board of directors, must prescribe guidelines and suggest areas that need evaluating or require basic changes. Our organization, as an example, set up during World War II a forward planning committee, whose members were composed of two of our general management and four of our division managers.

During those years, we could not improve or build facilities, modernize our plans with equipment, or enlarge upon our personnel training program. What was done, however, was to project the many steps we hoped to pursue at a rapid pace as soon as the war was over and controls had been lifted.

The planning program worked most effectively. Since the beginning of 1947, with many blue prints and outlines at hand, WFA has invested over \$12 million in plans and equipment to insure that our various facilities and services were operated on the most efficient basis.

A forward planning committee can operate in practically any field, provided they surround themselves with qualified people, either from within the organization, or from outside sources. We continue to plan ahead, usually as far as five years, which provides the opportunity of reevaluating at intervals before actually making any economic or physical moves.

A few words on a personnel training program could well follow these remarks concerning the war period. Because of the age of our organization, most of its personnel were of an age where we should have used those war years to bring in younger men for basic training. However, this was not possible.

#### Intensified Personnel Program Underway

Immediately following the war, we began a personnel training program which since 1950 has been intensified. We now have available for primary and middle management positions some 40 young men who have had diversified training and are ready to step into the various management positions vacated through retirement, or to take over new assignments as our services are expanded.

In our earlier years, the philosophy of employees selling services and supplies to the association's members in a direct manner was considered questionable and somewhat unnecessary. However, as the inevitable change took place in business, our selling efforts were intensified. Strangely, we found that members did not resist being approached with factual information and guidance on services and supplies in which they were interested. Now our personnel contacting membership at branches and in field services is well-equipped through product training courses to handle most questions.

In following out this program it is necessary that all personnel be kept informed on association business policies through employee bulletins, news-



letters, and other means. The Western Farmer, which is our monthly membership magazine, is sent to all employees free of charge, if they desire to receive it.

### Differences in Volume of Purchasing Recognized

I have observed that many farmer cooperatives find it difficult to apply the rule of economics in establishing operating and functional policies which may affect members, customers, and employees.

In the early days of our organization it was our directors' policy that a ton of feed was sold at the same price throughout the entire area we served regardless of the cost of freight, or whether the member received the feed direct from the manufacturing mill. For more than 20 years now we have employed a service saving program which recognizes differences in volume of purchase in marketing products, thus applying what we think is sound economics of assessing labor and transportation costs where they apply.

Over the years since this program was established, we have had to make revisions as our members purchasing feed, fertilizer, petroleum, and those shipping eggs, poultry, and other farm products became larger while many thousands of our members remained relatively small in volume. This policy, sound as it is, has been most far-reaching and effective in helping us maintain our competitive position in the field of distribution.

Farmers who wish to become members of WFA sign a membership application, of which there are two types--active, for the commercial farmer, and associate, for the noncommercial farmer. These memberships provide the opportunity to purchase any and all of our supplies, such as feed, fertilizer, petroleum, seeds, and a multitude of items used on the farm.

### WFA Developed "Specification Farming"

Members who produce eggs, poultry, turkeys, seed, beans, and grain are required to sign commodity marketing agreements, which set forth a basis of pooling and other stipulations that would be contained in a contract between a seller and a buyer. In some of these marketing agreements covering commodities such as eggs, fryers and seeds, quantity of production during periods of the year are stipulated, with the member expected to fulfill his production commitment, and our marketing divisions expected to receive and sell those quantities.

This trend in marketing has been slow to gain acceptance, but is now fast becoming an absolute requirement for orderly marketing of most farm products. Some call this specification farming; actually, it is predetermining approximate market needs, then contracting for those requirements to safeguard both the producer and his off-the-farm marketing operation. It has worked exceedingly well in all of our marketing activities during the past 12 or 15 years.

For 30 years, we have had a rather large laboratory which has been used to check the quality of our products and feed formulation, and for other requirements. However, only recently have we recognized the need for facilities and personnel to carry on applied research. Year by year it has become more apparent that needed research was being hampered by limited facilities of our colleges and universities, whose efforts are supported by available public funds.

A few years ago we established two research centers, operating them as farms. One in eastern Washington works with beef cattle, swine, turkeys, and young heifer calves in the field of nutrition, housing, and longevity. The other plant, in western Washington, works with laying and breeding hens, turkey poults, and disease problems, and provides knowledge in nutrition, housing, factors affecting growth and rate of lay, and many other areas.

Our investment in these two plans is approximately \$250,000; operating expenses together with our research lab are approximately \$100,000 a year. Our members, board of directors, and manager are confident we will have more current data concerning many problems faster, and thus be able to make sizeable savings for our members in sums substantially larger than the cost and maintenance of these research centers.

One other field of research, which we have found to be very important and are pursuing to the best of our ability, is that of new product development. As indicated earlier, we have the Lynden poultry cannery, which was established in 1928. Since the war, we have maintained a new product development kitchen to improve our packs using poultry and turkeys, and also to create new products to add to our line, now numbering some 30 items.

During the past year, through a more intensified effort, we have developed products using dehydrated poultry and turkeys which can be reconstituted with the greatest of ease. Possibility of future developments in this field is tremendous. As a matter of fact we expect to have a complete line of dehydrated poultry products for distribution by the end of this year.

We have done some experimental work in the freeze drying of these products, but it has been too limited for us to form an opinion. Other work in this new product field has been further processing of fryers, fowl, and turkeys. This is an area where more effort will be used to develop products with more built-in maid services.

Most businesses, including cooperatives, have problems in maintaining effective public relations. As a cooperative becomes larger and occupies a greater part of the business and economic life of the community, greater responsibilities are created.



## Co-Op Public Relations Has Two Fronts

Public relations of a cooperative are somewhat different from those of its corporate counterparts. The cooperative must maintain a good image on two fronts--first, with the member and other farmers, and equally important, with the communities in which they operate.

In recent years we in WFA have spent much effort in planning, timing, and developing programs designed to reach all business and agricultural groups. We have found from experience that a varied approach to groups we wish to inform is more effective than trying to reach all with the same approach.

We work closely with the agricultural science departments of the universities, which includes county agents and their direction of the 4-H program. We have found that our work with the FFA, including the expenditure of only a nominal sum for jackets, State Farmer pins, and so on has created tremendous interest.

Most of our management men in the field are members of the local Chambers of Commerce and of at least one service club. Our branch managers usually belong to local Granges and participate in that work. In a number of instances, they also belong to the State Farm Bureau organization.

Our biggest job in this area is to keep our men in the field acquainted with our many activities and plans. In the larger cities and towns, we have attempted to be a part of the business world, actively supporting associations of business groups which work in the field of legislation and commercial development. The job of public relations is never done and often appears to be less effective than we like. However, it does take root, and in time one is surprised at the extent to which persons in other fields know about one's organization.

We, who are performing an off-the-farm service for our members, are truly an important segment of agriculture. We are setting the pace and creating for the farmer-member unseen dividends by the millions. We should be justly proud of this accomplishment. Likewise, we should be justly proud of the job that the farmers of America are performing on behalf of all of the American people and the many millions in foreign lands.

### SESSION III

Friday, March 8, 1963  
Chairman: Robert England

#### FINDING OUT WHAT MEMBERS WANT

##### Keeping Our Finger on the Members' Pulse

Robert England

Why is it important to keep our finger on the members' pulse? I believe if we will take a look back to the 1800's we will find that one of the most important economic developments in American history was the transition from the self-sufficient farming of the old homestead to the modern combination of agriculture and business that now provides our great abundance of food and fibre.

To me, one of the impressive sights at a recent annual meeting in Seattle was the seating of the directors on the stage, and the thought that these farmer-board members in their business suits personified agribusiness--a new and stimulating economic concept applying to Western Farmers Association in particular--and to modern agriculture in general.

Agribusiness includes all of the factors both on and off the farm that are involved in production, processing, and the distribution of food and fibre. We can see the importance of agribusiness as it relates to our own growth from an early start back in 1917 to a 1962 volume of sales exceeding \$73 million.

Let's go back and take a look at a few interesting figures from a book entitled Farmer in Business Suit by John Davis and Kenneth Henshaw. Let's pick the year 1856 and let's pick a name, Daniel Yeoman, who had a farm in Springfield, Mass., which was valued at about \$4,000.

Yeoman's farm contained 150 acres. His biggest crops were rye and Indian corn. His gross income was \$2,066.75, and his total expenses for the year were \$1,502.18, leaving him a net profit of \$564.57.

During this early era, farmers like Daniel Yeoman were not concerned with agribusiness as we know it today. They farmed mainly to supply their own family needs. They sold a little of their produce to purchase some of the staples they could not raise. Their horsepower came from oxen.

The farm of today is a costly, efficient, revved-up complex of fields, barns, and equipment with a gluttonous hunger for capital and managerial know-how. Productivity on the farm today is many times the family's own needs.

Compare Yeoman's farm in those early years to the average farm in California today. The average California farm is 307 acres in size and worth about \$225 an acre. About \$60,000 must be invested in buildings, land, and equipment.

Although agriculture today is big business, it will be getting bigger. The farmer is an executive in the field of agribusiness. He must plan, organize, make tough decisions, and be abreast of financial, business, market and political movements.

This is why we must keep a finger on the member's pulse. To more efficiently serve him, we must be aware of his changing agricultural enterprises, know what and how much he is going to raise and what products and services he will need. We need to know what variety, breed, or strain is best, so that we can serve our members well.

#### How We Keep Our Fingers on the Members' Pulse

Fred Roberts

I would like to take the liberty of amending the title of this discussion a little and make it read "Does His Heart Beat for Us?" This really is what we are attempting to find out. We continually need to know what our members think of us and what can be done to improve our "Image" to the members.

A doctor friend to whom I mentioned the subject of this discussion informed me there wasn't much mystery about taking a pulse. Almost anyone can do that. The trick is to diagnose the ills and prescribe the treatment.

This, I believe, is really our biggest problem, because we must keep in mind that sometimes a quickening of the pulse might not be the right treatment. I think we could all do things that would excite our members but might in the long run be damaging to either the member or the association.

I am sure that if I had brought along one of those films I have seen in the shop windows along 42nd Street in New York City, I could have quickened the pulse of everyone here. I doubt, however, that I would have done anyone any real good and I might have done some harm.



I believe we should keep this in mind when we "take the pulse" of our members. We not only need to know what the member thinks of us; we need to know something about the member and why he thinks as he does.

#### Operations of Oregon Breeders Association Described

To explain how we attempt to find out what the members think of us, I should tell a little about our association. The Oregon Breeders Association was organized in 1946 to make artificial insemination with top-quality sires available to all the dairymen in Oregon at a fee they can afford to pay. In the first few years we grew modestly, but our real growth came in the early 1950's when we began to get competition in the business.

At the present time we breed one-third of the dairy cows in Oregon but are faced with a possible decrease in business volume because of the rapid decline in dairy cow numbers. In order to stop a possible decline in business volume, we are beginning to develop a program to expand artificial insemination into the beef industry. This is an opportunity for us to be of great service to the beef industry and to expand our operation rather than see it decrease as cow numbers decrease.

The headquarters of our association is at Corvallis, where we maintain the bull stud, laboratories, and office. We collect and process the semen and deliver it to our inseminators over the state. We have 35 men located in the dairy areas of the state who do the inseminating. When the dairyman has a cow to breed, he calls the inseminator, who goes to the farm and does the inseminating. The inseminators also have to serve as the salesmen and bill collectors.

Of the 8,603 members we did business with last year, 7,947 bred 20 or fewer cows each and only 656 bred more than 20 cows each. The 92 percent of our members who bred 20 or less cows accounted for only 48 percent of our business volume, while the eight percent of our members who bred more than 20 cows each accounted for 52 percent of our business. In many cases the problems and desires of these two groups are very different.

A little over 10 percent of our business was the purebred cattle. Some members sell Grade A milk, while some sell factory milk. Some save their heifer calves for herd replacement, but some sell all their calves and just want their cows freshened. We want the business of all these people and attempt to develop a program that will suit the needs of all. This problem is confused even more by the fact that some members aren't sure from day to day what they do want.

In developing our artificial inseminator program, we have discovered that many ideas that were accepted as facts in the past, about both breeding and genetics, are not so. This means that we have to develop a program that will fit the members' needs and then sell it to them.

For example, we know that by purchasing bulls from a long way off or by paying a really high price for a bull we can "quicken the members' pulse," but these two facts have absolutely nothing to do with the ability of a bull to sire efficient producing cows. We also know that many people feel that a cow should be bred as soon as she comes into heat, but if we do that, we are doing the member a disservice because we can get better results if we breed the cows later.

#### Member Comments, Criticisms Must Be Evaluated

As is too often the case, what the members want may not be the best for them. I, for one, feel that in developing our programs and determining our policies we must keep the long-range benefits in mind and not jump on every bandwagon just because a few members want it. This means we have to work harder selling our program, but we will survive longer if we do it.

By the above comments I do not mean that it is up to management and directors to develop any program they see fit and ram it down the throats of the members. I do mean that when you are taking the members' pulse to help in evaluating the programs of the association, you want to be sure that you are taking the pulse of a good healthy member, or prospective member, and not one who has a bad case of flu. In my opinion we must not only seek comments, suggestions, and criticisms from our members and prospective members; we must know where these come from if we are to evaluate them.

In our association we rely on personal contacts more than anything else to get the reactions of our members. We have about 35 inseminators who come in contact with the members continually and three fieldmen who spend much time in contact with the members. These men really are in a position where they hear many comments on the association, and they pass many of them on to management.

The problem here is that in most cases what the member thinks of the association is what he thinks of our representative in the area. If the member likes our inseminator, he will visit with him and, if he has comments or suggestions, they have a good chance of being passed on to management. If the member doesn't like the inseminator, he probably won't like the association. He probably won't tell the inseminator why he doesn't like the association and, if he did, the chances are that the inseminator wouldn't pass it on to us. If this situation is allowed to continue for long, we will find that that member is no longer doing business with us.

For this reason we make an effort to arrange for our fieldmen to get into each area and keep track of the members' comments on the inseminators or anything else about the association. We know that it would be very unusual if an inseminator could satisfy every member; but if there is much adverse comment, we make an effort to get at the reason and correct it.

We have instructed our inseminators and fieldmen that one of their functions is to keep management informed on the comments of members concerning the operation of the association, including their comments concerning the management of the association. This might be dangerous ground, but only by finding our problems can we correct them. It is a specific assignment of the fieldmen that they are to attempt to determine the feelings and wishes of the members, and we discuss these at staff conferences.

We have found our directors helpful in keeping us informed on the feelings of the members in their area. This, of course, varies considerably with different directors but they can be very helpful. I believe this is one source of help we could use to more advantage.

Many members are helpful to us in passing on comments other people have made. They are interested in the association and anxious to help. Many times members will discuss things among themselves that they won't talk to us about. We encourage members to pass these comments on to us and thank them when they do so.

Annual meetings of members in local areas have been helpful to us. Our efforts to get members to talk to a group meet with varying degrees of success. Sometimes it is easy to get the radicals to give their ideas, but to get the substantial members to talk is often difficult. In our talks with these groups, we attempt to discuss new and challenging ideas. Occasionally we bring up something controversial in order to get members into the discussion. Sometimes this works and sometimes it doesn't.

#### Members Asked Directly for Opinions

Upon occasion we have tried what I would call the direct approach. We have asked the members for their opinion. One good example of this was done last fall. One of our biggest problems is that many dairymen think that breeding service has to be available every day, which means that either our technicians work seven days a week every week, or we have to provide some means of relief. We have had a relief program to give our men four days a month off plus two weeks vacation a year, but this is expensive. A few years ago we decided to see if we couldn't do just as good a job if we didn't breed cows every other Sunday. We tried this and found that if our men worked a little later Saturday and started a little earlier Monday, results were just as good as if they had worked on Sunday. Once we got members used to the program, it worked fine.

Last fall we wanted to expand this program into another area, but we didn't want to do it without getting the reaction of members. We sent a letter to them explaining what we wanted to do and why and enclosed a card for each member to fill out and return to us. On this card we asked if the member felt that service every other Sunday would be acceptable and would fulfill his needs.



We sent out 173 letters to members breeding five or more cows and got 93 cards returned, which was much more than we expected. Three members indicated they did not own any cows now, 81 said every other Sunday would be fine, and nine said "No". Five of those who voted "Yes" said "Take all Sundays off" or words to that effect. Only one of those who said "No" made a comment, and that was to the effect that he hadn't been too well satisfied with our service and, if we did this, he would probably call our competitor. With the great preponderance of "Yes" votes we decided to go ahead with the change, but to visit the seven members who voted "No".

We found that the card saying the member wasn't happy with our service and might call our competitor wasn't sent in by the member but by his wife. The member told us he was well pleased with the service, and it would be all right with him if we made the change (and further that we shouldn't pay any attention to what his wife might say).

After having the change explained to them personally, most of the rest thought it would work. Some didn't think it would work but agreed to try it. This idea of polling the members seemed to work very well. I think we will use it in the future on other items.

#### Information About Members Sought in Various Ways

We get much information about members and their likes and preferences by studying the monthly reports on sire usage. The number of services per bull per month is an excellent indicator of the member's pulse. We recently disposed of a bull we thought quite highly of because members wouldn't use him. He was averaging about 25 services a month, which didn't justify keeping him.

On the other hand, we recently paid \$5,000 for a baby calf because his full brother is one of our heaviest used bulls. We also use this report to indicate to us what needs stressing in our membership information program. If too high a percentage of services are to proven sires, we stress the need to breed cows to young sires in order to insure our source of proven sires. We continuously watch this sire-use report to learn what our members like.

Another good pulse indicator is accounts receivable. If you really want to find out about your association, just send out some collection letters. This is really pulse taking. When we started, we operated on a cash basis but of course had to give credit to stay in business. We just migrated into credit without any intent to do so, and no good credit policies were established.

Luckily most of our members are good pay, but there are enough slow-pay and no-pay ones to keep us on our toes. I think we can safely say that the older the account the poorer the member's opinion of the association. By the time an account is six months old, the member has had time to rationalize and think of all kinds of bad things about the association.

I recently sent out 10 collection letters and in reply received three excuses, one bankruptcy notice, and \$7. Most people who try to get out of paying say either the cow didn't settle or they didn't like something about the inseminator. These of course are just excuses, which show a total disregard or lack of concern for the association.

In addition to these methods of finding what members think, those of us on the management staff never miss an opportunity to visit with members about the association and the service they are getting from it. This can be very enlightening.

There is one thing I have often thought of doing along this line but have never done. The members seem to like panel discussions with members on the panel. I have been tempted to set up a panel discussion at one of our local annual meetings on the subject of "What More Can the Association Do?" and have members on the panel.

I once roped a bull that I had a terrible time turning loose and I am fearful that a panel discussion like this could be much the same. It might cause more problems than it cures. I would be interested to know if any one has tried this and what the results were. It has been my observation that many members can think of additional services the association might render but usually think these should be included in the regular fee. Most of the time this would be impossible.

#### Comments from Non-Members Also Sought

My discussion so far has dealt with members who are using our service. It is true enough that we want to know how they feel, and want to keep their hearts beating for us, but there are two other groups whose collective pulse I would like to take. The dairymen who formerly used our services, but now patronize our competitor is one group. The dairymen we have never served constitute the other group. Because their hearts evidently don't beat for us, they really present a problem.

We would like to help them with their problems, and therefore we need to know what they are thinking. By checking our patronage lists, we have been able to come up with names of former members who are no longer using our service. We have asked our inseminators and fieldmen to contact these men personally and find out why they no longer use our service. In some cases it is because they no longer have cows. But in too many cases it is because we didn't "take the pulse" or didn't "diagnose" properly.

Occasionally we lose a man's business because our competitor did a better job of selling him. While we get many reasons why people leave, it usually boils down to the fact that we have not done all we should. In too many cases it is just that we took the member for granted, and he found out he could get by without us. If we took his pulse at all, we sure missed the diagnosis.



The other man we would like to have a better pulse reading on is the dairyman we have not been able to do business with. I am afraid that we could describe this situation best by saying that we don't get close enough to him to take his pulse. You can't take a pulse without close contact and this is probably our biggest problem here.

In summing up, I will say that in order to try to determine what our members think of us we depend mostly on comments brought to us by our employees. We realize this has its weaknesses. Too often the dissatisfied member won't tell anyone. As they say in the TV commercial, "Even your best friends won't tell you." Along with this we depend on our directors, other members passing comments on to us, occasional member polls, bull usage reports, and accounts receivable.

We realize we are not perfect in this respect and hope that a recent action we have taken may improve our record. In order to improve our financial and operational strength and efficiency, we have changed from a federated organization to a centralized or direct membership organization. We hope that this will make us a little closer to our members. At least we are in a position to better supervise our inseminators and correct the difficulties we do find.

To finish this off, I would like to make one more comment. If a member makes a suggestion or comment, give him an answer. If you can adopt his suggestion or correct his complaint, tell him you will do so and do it. If you cannot do as he suggests, tell him you can't and why you can't. Don't make promises and then not follow through, and don't ignore the member's comment. Nothing will ruin member relations faster than false promises and inaction.

### Where Do We Go From Here?

J. K. Stern

Since seeing that thrilling public relations movie--Horizons--I can see how I might become a membership problem for some of you.

Why is it we seek out and use the latest modern production techniques, use mechanical marvels that do an amazing job in planting, production, and harvesting, and often are so reluctant to modernize our organization structure, our communications machinery, and other modern cooperative techniques that are equally vital to us?

If I were a buyer for one of the national chains, I would hope that the apple co-ops, the dairy co-ops, the poultry and egg co-ops, and others up and down

the West Coast would never consolidate their efforts and confront me with one sales office instead of competing with each other.

If I were a salesman for one of the major oil companies, I would hope that the regional supply cooperatives would never get together into one powerful buying group for I would rather play one of you against the other and make more profits for my company.

But as one of your members I might ask your board of directors and your manager: Why don't you do this?

As a Farm Credit System borrower I would ask: Why must I go to one office for a production loan and to another for a land bank loan?

We are trying to export our know-how to the underdeveloped areas of the world. What do we recommend? A Land-Grant college system; county agents; ag teachers; something like our USDA, particularly our Farmer Cooperative Service; all kinds of cooperatives like you represent here today, with special emphasis on a co-operative Farm Credit System, rural electric cooperatives, and credit unions. We have all of this, plus your State Cooperative Council and the A.I.C. If we have all of the tools to build that better world here, why don't we use them and do a better job?

When George Washington dismissed his troops in Philadelphia after the Revolutionary War, he said, "Never forget that you won by joint efforts in solving common problems and facing common dangers."

How much planning ahead do we do--for 10 years from now? Where do we want to be? How do we get there? Which cooperative must you coordinate with or combine with? Every one of you have this in your future--like it or not.

What research must be done to provide facts on which you will make your decisions?

What training programs for employees and directors?

How many dairy co-ops do we need?

How many petroleum co-ops do we need?

How many fertilizer co-ops do we need?

How many grain co-ops do we need?

How many sales agencies for export?

Some of your competitors have more answers to these questions than we do.

Are you satisfied with your progress? If so you ought to be replaced by someone who isn't.

We know how to do a better job. Let's get on with it.







